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**USWEST**

**Charles Steese**  
Senior Attorney

**RECEIVED**

AUG 13 1999

August 13, 1999

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

Ms. Magalie Roman Salas, Secretary  
Federal Communications Commission  
The Portals  
445 Twelfth Street S.W.  
Washington, D.C. 20554

RE: CC Docket No. 98-121

Dear Ms. Salas:

On Thursday, August 12, Jeff Owens, Terry Million, Ivy Stevens and I, of U S WEST, met with John Stanley, Ronald Kaufman, Alicia Dunnigan, Tony Dale, David Kirschner, and Michelle Carey of the Common Carrier Bureau staff to discuss Section 272 issues. Copies of the materials discussed in the meeting are attached.

In accordance with Section 1.1206(b)(2) of the Commission's rules, an original and one copy of this letter and the attachments are being filed with your office for inclusion in the record of this proceeding.

Sincerely,

*Charles W. Steese*  
(KW)

Charles W. Steese

CWS:cdh  
Enclosure

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**REQUIREMENTS OF SECTION 272**

**SUBSEQUENT MEETING WITH THE**

**FEDERAL COMMUNICATIONS COMMISSION**

**AUGUST 12, 1999**

**BY**

**TERESA K. MILLION**

**U S WEST COMMUNICATIONS, INC.**

## **REQUIREMENTS OF SECTION 272**

### **Section 272(b)(2) - Separate Books, Records and Accounts**

#### **Issue:**

What are the security, controls, and procedures that ensure the separateness of accounting records?

#### **U S WEST's Response:**

A narrative reflecting the following information about how U S WEST uses security, controls and procedures to ensure the separateness of accounting records will be included in the future testimony of Teresa K. Million:

- Financial Data Sets are separated between Regulated and Unregulated.
- Each employee is assigned a User ID that is designated as either Regulated or Unregulated.
- Request Forms must be submitted for approval before an employee is given access to specific systems, and the system control group must specifically designate the employee's User ID to access particular Data Sets or Applications.
- When accessed, a system will post data only if the correct combinations of User ID, Entity, Account and Responsibility Code are entered.
- System Edits are Entity specific and are designed to provide meaningful controls based on the information and reporting needs of the Entity, therefore, data fields that are valid for one Entity may not be valid for another Entity.
- This combination of security, controls and procedures ensures that U S WEST Long Distance and U S WEST Communications have separate books, records and accounts.

## **REQUIREMENTS OF SECTION 272**

### **Section 272(b)(5) – Transactions at Arm's Length, Reduced to Writing, Publicly Available**

#### **Issue:**

How will U S WEST expand its web site to provide an annual disclosure of the details of underlying transactions between U S WEST Communications and U S WEST Long Distance and include volumes of each service provided? Will the volumes posted include the volumes of tariff services provided to U S WEST Long Distance? Will the web site include a statement explaining when the volumes will be posted and the process used to develop the disclosure? What will be the basis under which such disclosure is made, and will it be true-up to the ARMIS submission?

#### **U S WEST's Response:**

- U S WEST will continue to post Work Orders, Task Orders and stand-alone Contracts containing rates, terms and conditions of transactions within 10 days of being executed by both parties.
- During the first 7 months of 1999 the average length of time for posting "executed" transactions has been 7.6 days.
- After the ARMIS reports have been filed with the FCC, U S WEST Communications will post in May of each year in the section labeled "terminated documents" a true-up of the prior year's transactions.
- U S WEST will post a summary of tariff service data at an aggregated level of detail in each year's true-up. (See Attached Example)
- The section of the web site labeled "overview" will include a statement that explains what will be contained in the true-up, and when the true-up will be posted. (See Attached Example)

# TARIFFED SERVICES PURCHASED BY U S WEST LONG DISTANCE FROM U S WEST COMMUNICATIONS

## ILLUSTRATIVE REPORT

(illustrative only – an example of information to be posted for annual true up)

<u>State</u>	<u>Product Description</u>	<u>USOC</u>	<u>Quantity</u>	<u>Revenue</u>
CO	800 SERVICELINE ACCESS	WFA	7	\$21.00
CO	BUSINESS FLAT ACCESS CALC INTERSTATE	9ZR	98	901.60
CO	DID SERVICE FLAT	ND2	48	1,920.00
CO	DID SERVICE FLAT	NGS	16	48.00
CO	HUNTING	HTG	10	40.90
CO	PREMIUM LISTINGS	FAL	1	1.90
CO	SIMPLE ACCESS FLAT	1FA	8	298.80
CO	SIMPLE ACCESS FLAT	1FB	23	859.05
CO	SIMPLE ACCESS FLAT	AFK	19	709.65
CO	TOLL RESTRICTION	RTVXN	36	0.00
•	•	•	•	•
•	•	•	•	•
•	•	•	•	•
	Total Revenue			\$ XXX.XX

**1998 Asset Transfers To/From U S WEST Long Distance**

	Detailed Description	Asset, Product, Service or Information	Pricing Methodology	Billed Amount	Basis for Book/Bill	length of time to complete	Frequency	Date of Transaction	Notes
1	1 Printer, CPU and Monitor to be used by USWC employee	Assets Purchased from USWLD	Fair Market Value	\$906	Lower of FMV or Net Book Value	N/A	1-time	Booked in March, 1998	
2	15 Macintosh computers, 10 Monitors, 3 printers, and 1 12 port controller to be used by USWC employees	Assets Purchased from USWLD	Fair Market Value	\$6,082	Lower of FMV or Net Book Value	N/A	1-time	Booked in June 1998	
	<b>1998 Total Asset Transfers</b>			<b>\$6,988</b>					

**1998 Services Provided by U S WEST to U S WEST Long Distance**

**Master Services Agreement**

	Detailed Description	Asset, Product, Service or Information	Pricing Methodology	Billed Amount	Basis for Book/Bill	length of time to complete	Frequency	Date of Transaction	Notes
<b>Exhibit B - Human Resources</b>									
<b>Work Order - Human Resources Services #HRLD029:</b>									
1	Job Ads and job fills processed	Human Resources Services To USWLD	FDC	\$152	Hourly rate \$75.37	2.02 Hours	As needed	Oct, Nov, and Dec, 1997	4 job ads advertised and 3 job fills processed
2	Employee move processed by the Relocation Group	Human Resources Services To USWLD	FDC	\$342	One move @ \$342	N/A	As needed	Jan-98	One Operations Manager relocated
3	Headcount allocations for: University Relations, Leadership Succession, HR Systems, and Employee Resource Group	Human Resources Services To USWLD	FDC	\$946	Billed for 93 employees at USWLD	N/A	monthly	Dec '97 True-up and January '98	93 employees at USWLD: allocated amounts @ \$3.15, \$2.51, \$4.38, \$.13

N/A = Not Available, Not Applicable

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	Detailed Description	Asset, Product, Service or Information	Pricing Methodology	Billed Amount	Basis for Book/Bill	length of time to complete	Frequency	Date of Transaction	Notes
4	Common Support - Human Resources	Human Resources Services To USWLD	FDC	\$182	Mgmt Compensation \$90 & HR Diversity \$92	allocated amount	monthly	Jan-98	
5	Headcount allocations for: University Relations, Leadership Succession, HR Systems, and Employee Resource Group	Human Resources Services To USWLD	FDC	\$2,450	Billed for 96 employees at USWLD	N/A	monthly	Feb-98	96 employees at USWLD: allocated amounts @ \$3.15, \$2.51, \$12.22, \$.13 (incl Jan adj \$721.28)
6	Common Support - Human Resources	Human Resources Services To USWLD	FDC	\$908	Mgmt Compensation \$455 & HR Diversity \$453	N/A	monthly	Dec '97 True-up and Jan '98	93 employees at USWLD: allocated amounts @ \$3.15, \$2.51, \$4.38, \$.13
7	Job Ads	Human Resources Services To USWLD	FDC	\$240	Hourly rate \$82.32	2.92 hours	As needed	Jan-98	7 Job Ads
8	Headcount allocations for: University Relations, Leadership Succession, HR Systems, and Employee Resource Group	Human Resources Services To USWLD	FDC	\$1,837	Billed for 102 employees at USWLD	N/A	monthly	March, 1998	102 employees at USWLD: allocated amounts @ \$3.15, \$2.51, \$12.22, \$.13
9	Common Support - Human Resources	Human Resources Services To USWLD	FDC	\$543	Mgmt Compensation \$272.55 & HR Diversity @ \$232.37 per month	N/A	monthly	March, 1998	
10	Headcount allocations for: University Relations, Leadership Succession, HR Systems, and Employee Resource Group	Human Resources Services To USWLD	FDC	\$1,927	Billed for 107 employees at USWLD	N/A	monthly	April, 1998	107 employees at USWLD: allocated amounts @ \$3.15, \$2.51, \$4.38, \$.13
11	Employee move processed by the Relocation Group	Human Resources Services To USWLD	FDC	\$949	One move @ \$949	N/A	One-time	April, 1998	One USW Officer relocated

	Detailed Description	Asset, Product, Service or Information	Pricing Methodology	Billed Amount	Basis for Book/Bill	length of time to complete	Frequency	Date of Transaction	Notes
12	Common Support - Human Resources	Human Resources Services To USWLD	FDC	\$543	Mgmt Compensation \$272.55 & HR Diversity @ \$232.37 per month	N/A	monthly	April, 1998	
13	Headcount allocations for: University Relations, Leadership Succession, HR Systems, and Employee Resource Group	Human Resources Services To USWLD	FDC	\$1,855	Billed for 103 employees at USWLD	N/A	monthly	May, 1998	103 employees at USWLD: allocated amounts @ \$3.15, \$2.51, \$12.22, \$.13
14	Pre-employment Drug Screening	Human Resources Services To USWLD	FDC	\$385	1 drug test @ \$45.00, 8 @ \$42.50	N/A	As needed	March, 1998	
15	Common Support - Human Resources	Human Resources Services To USWLD	FDC	\$1,090	Mgmt Compensation \$272.55 & HR Diversity @ \$232.37 per month	N/A	monthly	May and June, 1998	
16	Pre-employment Drug Screening	Human Resources Services To USWLD	FDC	\$221	5 drug tests @ \$42.50	N/A	As needed	June, 1998	Billings includes \$8.74 voucher processing
17	Headcount allocations for: University Relations, Leadership Succession, HR Systems, and Employee Resource Group	Human Resources Services To USWLD	FDC	\$1,765	Billed for 98 employees at USWLD	N/A	monthly	June, 1998	98 employees at USWLD: allocated amounts @ \$3.15, \$2.51, \$12.22, \$.13
18	Job Ads and job fills processed	Human Resources Services To USWLD	FDC	\$1,078	Hourly rate \$82.32	13.10 hours	As needed	June, 1998	25 Job Ads and 23 job fills
19	Common Support - Human Resources	Human Resources Services To USWLD	FDC	\$543	Mgmt Compensation \$272.55 & HR Diversity @ \$232.37 per month	N/A	monthly	July, 1998	

N/A = Not Available, Not Applicable

-0027560



	Detailed Description	Asset, Product, Service or Information	Pricing Methodology	Billed Amount	Basis for Book/Bill	length of time to complete	Frequency	Date of Transaction	Notes
20	Headcount allocations for: University Relations, Leadership Succession, HR Systems, and Employee Resource Group	Human Resources Services To USWLD	FDC	\$1,747	Billed for 97 employees at USWLD	N/A	monthly	July, 1998	97 employees at USWLD: allocated amounts @ \$3.15, \$2.51, \$12.22, \$.13
21	Common Support	Human Resources Services To USWLD	FDC	\$543	Mgmt Compensation \$272.55 & HR Diversity @ \$232.37 per month	N/A	monthly	August, 1998	
22	Headcount allocations for: University Relations, Leadership Succession, HR Systems, and Employee Resource Group	Human Resources Services To USWLD	FDC	\$1,729	Billed for 96 employees at USWLD	N/A	monthly	August, 1998	96 employees at USWLD: allocated amounts @ \$3.15, \$2.51, \$12.22, \$.13
23	Common Support - Human Resources	Human Resources Services To USWLD	FDC	\$545	Mgmt Compensation \$272.55 & HR Diversity @ \$232.37 per month	N/A	monthly	September, 1998	
24	Headcount allocations for: University Relations, Leadership Succession, HR Systems, and Employee Resource Group	Human Resources Services To USWLD	FDC	\$5,295	Billed for 98,97 and 99 employee count at USWLD for Sept, Oct, Nov Respectively	N/A	monthly	Sept., Oct., and Nov. 1998	98, 97, 99 employees at USWLD: allocated amounts @ \$3.15, \$2.51, \$12.22, \$.13 for Sept-Nov 1998
25	Employee move processed by the Relocation Group	Human Resources Services To USWLD	FDC	\$2,848	3 moves @949	N/A	One-time	Oct, Nov, 1998	An Executive Director, Director, and Business Analyst Relocated
26	Pre-employment Drug Screening	Human Resources Services To USWLD	FDC	\$170	4 drug tests @ \$42.50	N/A	As needed	July and August, 1998	

	Detailed Description	Asset, Product, Service or Information	Pricing Methodology	Billed Amount	Basis for Book/Bill	length of time to complete	Frequency	Date of Transaction	Notes
27	Common Support - Human Resources	Human Resources Services To USWLD	FDC	\$2,180	Mgmt Compensation \$272.55 & HR Diversity @ \$232.37 per month	N/A	monthly	Oct., and Nov., and Dec. 1998	
28	Late Payment Charges			\$847				Jan-Dec '98	Late charges assessed USWLD
	1998 Total Billing to USWLD for Human Resources			\$33,860					

## REQUIREMENTS OF SECTION 272

### Section 272(b)(5) – Continued

#### **Issue:**

What is U S WEST's policy regarding the length of time transactions will remain posted on the web site, especially for those transactions that have expired?

Can U S WEST confirm on its web site that the transactions posted for 1996 and 1997 were provided to U S WEST Long Distance, in general, in conformance with the Master Services Agreement?

#### **U S WEST's Response:**

The section of the web site labeled "terminated documents" will contain the following statements:

*"Terminated Agreements, Work Orders, Task Orders, and Contract will remain listed in this section under the link labeled "Expired Agreements" until one year after the date of termination. The annual true-ups will remain listed on this site until the following year's true-up is posted as a replacement."*

*"Prior to adopting the current format, the transactions for 1996 and 1997 were summarized for presentation on the web site, however, the services represented were provided, in general, in conformance with the Master Services Agreement, Services Agreement or other Contracts in effect at the time."*

## **REQUIREMENTS OF SECTION 272**

### **Section 272(b)(5) – Continued**

#### **Issue:**

Will U S WEST include a statement in its application, signed by an officer of U S WEST Communications, stating that U S WEST has posted and made public all transactions?

#### **U S WEST's Response:**

U S WEST's Section 271 application will include an officer affidavit stating that U S WEST Communications complies with the Section 272(b)(5) requirement to post and make public all transactions between U S WEST Communications and U S WEST Long Distance.

- The affidavit will be included on U S WEST's Section 271 application web site.
- U S WEST will also post the affidavit on the web site it is required to maintain under Section 272(b)(5).
- In addition, the affidavit will be updated and posted with each year's true-up

## **REQUIREMENTS OF SECTION 272**

### **Section 272(b)(5) – Continued**

#### **Issue:**

How would U S WEST expand the overview statement on its web site so that it describes U S WEST's compliance with the requirements of Section 272, rather than merely reciting the law?

#### **U S WEST's Response:**

The explanation in the section labeled "overview" on U S WEST's web site will be expanded to describe how U S WEST satisfies Section 272, including the following:

- A statement of U S WEST's compliance with the requirements of Section 272
- An explanation of the documents contained on the web site
- A description of the information contained within the documents posted on the web site
- A statement that U S WEST will post all Agreements on the Internet within ten days
- An explanation of U S WEST's process for posting an annual true-up that is tied to the ARMIS report filed with the FCC

## **REQUIREMENTS OF SECTION 272**

### **Section 272(b)(5) – Continued**

#### **Issue:**

Does U S WEST's Section 271 application describe any affiliate transaction audit that has focused in whole or in part on U S WEST Communications' relationship with U S WEST Long Distance?

#### **U S WEST's Response:**

U S WEST has not been involved in an audit that has focused specifically on the relationship between U S WEST Communications and U S WEST Long Distance. The annual Part 64 audit conducted by Arthur Andersen includes a review of affiliate transactions on a sample basis, including specific transactions between U S WEST Communications and U S WEST Long Distance. Nevertheless, the statement of compliance rendered by Arthur Andersen, as a part of that audit, is general in nature and does not address U S WEST Communications' relationship with any particular affiliate.

## **REQUIREMENTS OF SECTION 272**

### **Section 272(b)(5) – Continued**

#### **Issue:**

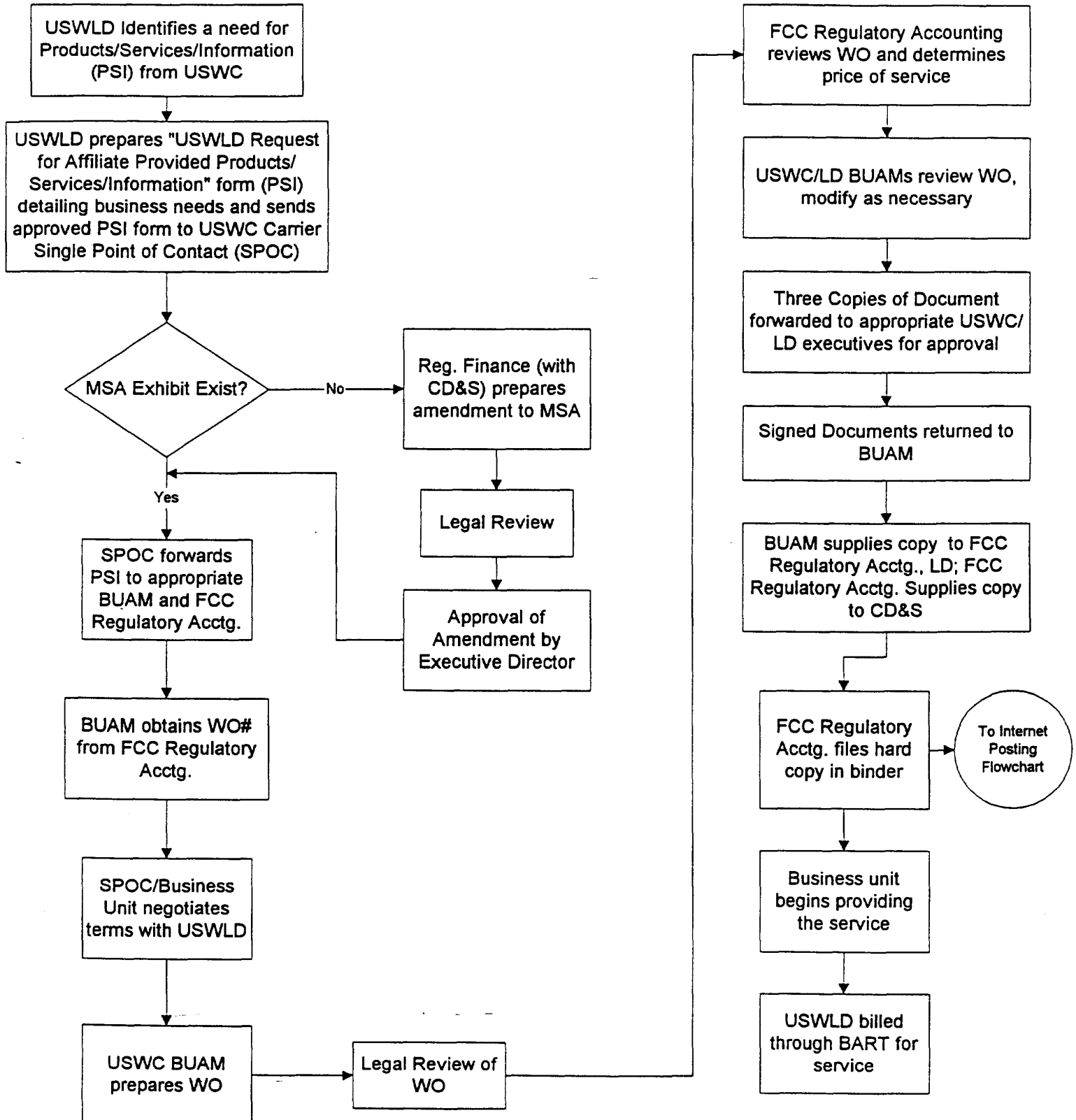
Has U S WEST disclosed its processes for capturing transactions and posting them to its web site?  
Does this information include evidence of internal controls that ensure compliance with Section 272(b)(5)?

#### **U S WEST's Response:**

The future testimony of Teresa K. Million will include detailed descriptions of the processes for "Work Order Preparation Process Flow" and "Internet Posting Process Flow." (See attached Flow Charts)

### USWC/USWLD WORK ORDER PREPARATION PROCESS FLOW

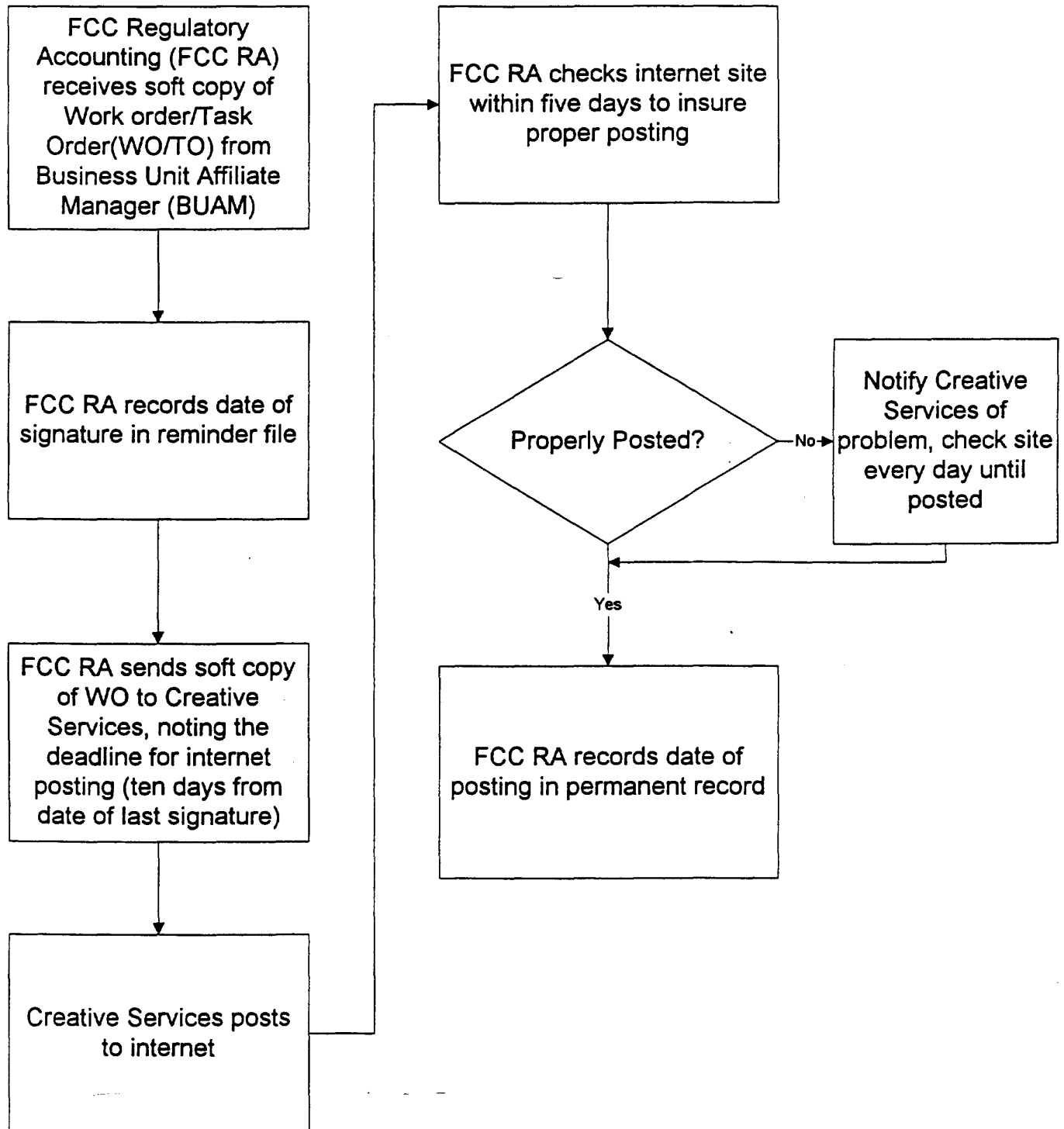
Final 5/25/99





**USWC/USWLD INTERNET POSTING PROCESS FLOW**

Final 5/25/99



## **REQUIREMENTS OF SECTION 272**

### **Section 272(b)(5) – Continued**

#### **Issue:**

Has U S WEST considered an audit of the processes related to Section 272(b)(5), performed by a third party?

#### **U S WEST's Response:**

- The Biennial Audit is a requirement of Section 272(d), the first of which is to occur 12 months after U S WEST receives its Section 271 approval.
- U S WEST will disclose transactions according to the requirements of Section 272(b)(5) and will provide an annual true-up for such transactions.

## **REQUIREMENTS OF SECTION 272**

### **Section 272(c) – Nondiscrimination Safeguards**

#### **Issue:**

How does U S WEST Long Distance request new services from U S WEST Communications, and what is the role of the compliance manager?

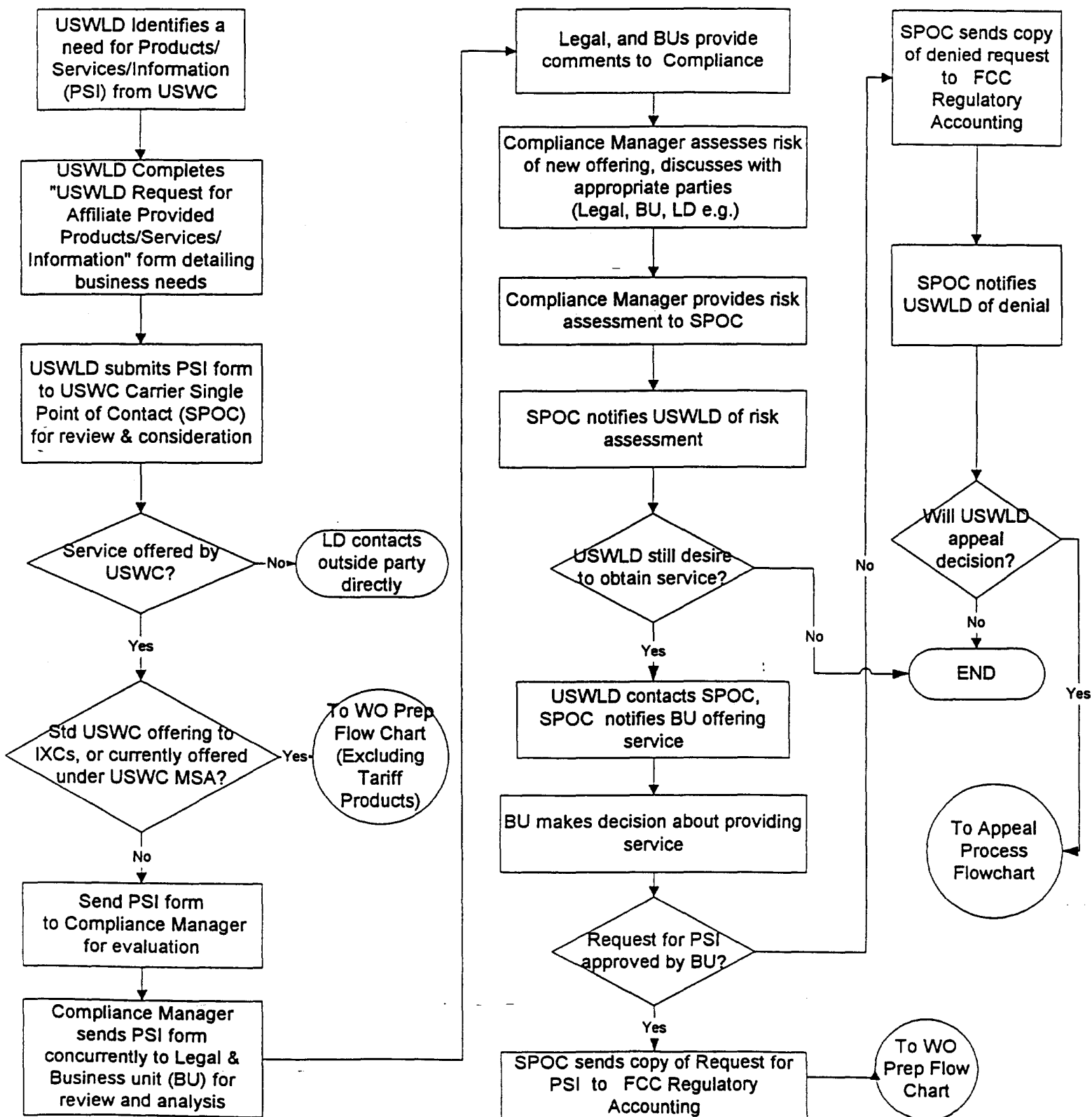
#### **U S WEST's Response:**

The future testimony of Teresa K. Million will include a detailed description of the process for "Process Flow for USWLD Service Requests." (See attached Flow Chart) This description will include the following explanation of the functions of performed by the U S WEST Compliance Manager:

- With regard to Section 272, the Compliance Manager has responsibility for the Service Request process that was designed to insure that U S WEST Communications fulfills its nondiscrimination obligations with respect to goods, services, information and facilities purchased by U S WEST Long Distance.
- The Compliance Manager consults with U S WEST Long Distance, the U S WEST Communications Wholesale Account Team's Single Point of Contact (SPOC), and the likely affected Business Unit to ensure that the service requested is clear and understood by all parties.
- The Compliance Manager facilitates a meeting with an advisory group consisting of Legal, FCC Regulatory Accounting, Regulatory Finance and the Wholesale Account SPOC to identify the nondiscrimination obligation associated with the requested service.
- Based on the advisory groups assessment, the Compliance Manager communicates the U S WEST Communications Business Unit decision to either to provide the services to U S WEST Long Distance on a nondiscriminatory basis, or not to provide it at all.

### USWC PROCESS FLOW FOR USWLD SERVICE REQUESTS

FINAL 5/25/99



## **REQUIREMENTS OF SECTION 272**

### **Employee Education and Training**

#### **Issue:**

What is U S WEST's annual employee compliance training process and how does the process assure 100% compliance each year by a date certain? What is the training requirement for new employees?

#### **U S WEST's Response:**

- All employees are required to complete compliance training annually (January 1<sup>st</sup> through December 31<sup>st</sup>) as a condition of employment.
  - Corporate policy requires new hires to take the compliance training within a reasonable timeframe, which is deemed to be within the first 10 days of employment.
- Employees take the U S WEST compliance training through one of two methods: computer based training (CBT), or non-CBT training (Video).
  - CBT Acknowledgement forms are submitted to the Corporate Compliance Group and must have a valid Completion Code number.
  - Video Training requires the trainer or supervising manager's signature verifying training was satisfactorily completed.
- To ensure 100% compliance with the required annual Compliance Training Program, the Corporate Compliance Group tracks and distributes progress reports on exceptions to training completions to the business units at Mid-year, end of 3<sup>rd</sup> Quarter and December 1<sup>st</sup>.
  - Based on those Exception Reports, the Corporate Compliance Manager issues a letter to the Directors or Officers of employees who have not completed the training requesting them: 1) to ensure the employee completes the required training within a certain period of time; and, 2) to issue a warning letter to the employee and place it in the employee's personnel file.